

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARDIN COUNTY WATER	)	
DISTRICT NO. 1 FOR (1) ISSUANCE OF	)	
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	
NECESSITY; (2) AUTHORIZATION TO BORROW	)	CASE NO. 2001-211
FUNDS AND TO ISSUE ITS EVIDENCE OF	)	
INDEBTEDNESS THEREFOR; (3) AUTHORITY TO	)	
ADJUST RATES; AND (4) APPROVAL TO REVISE	)	
AND ADJUST TARIFF	)	

COMMISSION STAFF'S FIRST SET OF INTERROGATORIES  
AND REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO HARDIN COUNTY WATER DISTRICT NO. 1

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Hardin County Water District No. 1 ("Hardin District") shall file the original and 8 copies of the following information with the Commission no later than December 3, 2001, with a copy to all parties of record. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be provided for total company operations and jurisdictional operations, separately.

1. a. Provide all meter and instrument readings and measurements that Hardin District used to calculate the maximum day to average day ratio of 1.60.

b. Describe how Hardin District calculated the maximum day to average day ratio of 1.60. Show all calculations made and state all assumptions used.

c. Provide all workpapers involving the calculation of the maximum day to average day ratio of 1.60.

2. a. Provide all meter and instrument readings and measurements that Hardin District used to calculate the maximum hour to average day ratio of 2.48.

b. Describe how Hardin District calculated the maximum hour to average day ratio of 2.48. Show all calculations made and state all assumptions used.

c. Provide all workpapers involving the calculation of the maximum hour to average day ratio of 2.48.

3. Refer to Hardin District's Application, Exhibit A-24, Table 24-D ("Allocation of Operation and Maintenance Costs").

a. For each category listed in Column A, provide a detailed breakdown of the expenses contained in that category or, in the alternative, the expense accounts as shown in Table 11-A of Hardin District's Application that are reflected in each category.

b. For each category listed in Column A, provide the allocation factors that Hardin District used and explain how each factor was determined. (For example, show how Hardin District allocated "Maintenance" of "Admin & Customer/Billing" to each function.)

4. Using Hardin District's operations for the 12-month period ending December 31, 2000, complete the following table:

Total Water Produced	
Plant Use	
Line Loss	
Sales to Resale	
Sales to Retail	

5. Based upon Hardin District's utility plant in service as of December 31, 2000, complete the following table below:

Main Size	Total Miles of Line	Miles of Jointly Used Lines by both Hardin District and its wholesale customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

6. Based upon Hardin District's utility plant in service as of December 31, 2000, as adjusted for the proposed water improvements, complete the following table below:

Main Size	Total Miles of Line	Miles of Jointly Used Lines by both Hardin District and its wholesale customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

7. State the amount of contribution, if any, that each Hardin District wholesale customer has contributed toward the cost of water mains that Hardin District uses to provide water service to that customer.

8. a. List each Hardin District wholesale customer who Hardin District serves through gravity fed water mains.

b. If Hardin District serves any wholesale customer through gravity fed water mains, describe how Hardin District accounted for this service when designing the wholesale rate.

9. Describe how Hardin District allocated line loss and plant use to its wholesale customers in its cost-of-service study.

10. Refer to Hardin District's Application, Exhibit A-24.

a. Provide a breakdown showing how Hardin District allocated each expense between wholesale and retail customers.

b. For each expense, state the allocation factor used to allocate the expense between wholesale and retail customers and explain how Hardin District developed the factor.

11. Refer to Hardin District's Application, Exhibit A-20, Table 20-E ("Proposed Pro-forma Adjustments to Operating Income").

a. Provide Hardin District's proposed pro forma adjustments in the revenue and expense detail as shown in Format 10(a).

b. Provide all workpapers, show all calculations, and state all assumptions used to derive each proposed pro forma adjustment.

c. Provide a detailed description of each pro forma adjustment.

12. Provide an analysis by employee of the regular and overtime hours for the period of 1998 through 2001 using Format 11.

13. Provide an analysis by employee of the pay rates for the period 1998 through 2001 using Format 12.

14. Refer to Hardin District's Application, Exhibit A-20, Table B ("Detailed Personnel & Cost Basis for Test Year") ("Table B"). Table B separately lists full-time staff salaries of \$719,722, part-time staff salaries of \$7,160, and overtime of \$12,744, which when combined results in a test-period payroll of \$739,626. However, in its "Annual Report to the Public Service Commission for the Year Ending December 31, 2000," Hardin District reports a balance in Account No. 601, Salaries and Wages – Employees of \$697,951. Reconcile and explain the apparent discrepancy between the amounts shown on Table B with the balance reported in Account No. 601.

15. a. Provide a complete title and definition for the following column headers from Table B

(1) \$/MON,

(2) Flex 100

(3) OASDI.

b. For each employee benefit identified in Item 14(a), explain why the employee benefit is being provided and state the benefits that Hardin District receives from its provision.

16. In its "Annual Report to the Public Service Commission for the Year Ending December 31, 2000," Hardin District reports a balance in Account No. 604, Employee Pensions and Benefits of \$108,406. Provide a detailed analysis identifying the items from Table B that are included in Account No. 604. Explain each discrepancy

between the amounts shown on Table B with those amounts reported in the 2000 Annual Report.

17. a. Provide the ordinances or resolutions of Hardin County Fiscal Court establishing the current level of compensation for members of Hardin District's Board of Commissioners.

b. Provide the ordinances or resolutions of Hardin County Fiscal Court authorizing health insurance coverage for members of Hardin District's Board of Commissioners or the payment of their health insurance premiums.

c. Provide the resolutions or ordinances of Hardin District's Board of Commissioners that authorize health insurance coverage for members of Hardin District's Board of Commissioners or the payment of their health insurance premiums.

18. For each member of Hardin District's Board of Commissioners who was paid a salary in excess of \$3,600 in 2000, provide documentary evidence of that member's completion of at least 6 hours of certified water district commissioner training.

19. Table B shows that during the test-period Hardin District paid each member of its Board of Commissioners the maximum compensation allowed and also provided health insurance benefits to two at an annual cost of \$5,040 per water district commissioner. Explain how the payment of health insurance premiums is consistent with the compensation limits set forth in KRS 278.020.

20. Table B shows that the health insurance premium for Hardin District's General Manager is \$8,470 and is \$5,040 each for Hardin District Commissioner, while the level of health insurance premiums paid for the each of Hardin District's remaining employees is \$2,523. Explain why the level of health insurance premiums for the

General Manager and Commissioners differs from those of Hardin District's other employees.

21. Provide an analysis by employee of the health insurance premiums for the period of 1999 through 2001 using Format 19.

22. Provide all documents demonstrating that the Hardin County Judge Executive authorized Hardin District's employment of private legal counsel.

23. a. Explain why Hardin District retained private legal counsel rather than use the services of the Hardin County Attorney.

b. Provide all correspondence between Hardin District and the Hardin County Attorney concerning legal representation of the water district.

24. a. Table B shows that Hardin District during the test-period paid its attorney \$8,819 and that Hardin District consider its attorney as a full-time employee. Since the attorney position was classified as full-time, Hardin provided OASDI and pension benefits in addition to the salary. Explain why Hardin District's attorney is classified as full-time employee and is entitled to OASDI and pension benefits.

b. In its "Annual Report to the Public Service Commission for the Year Ending December 31, 2000," Hardin District reports a \$3,739 balance in Account No. 633, Contractual Services - Legal. Provide all invoices supporting the legal fees recorded in this Account 633 and state whether any of these legal services represent the legal fees shown on Table B.

25. Provide Hardin District's pension contribution rates for the period from January 1, 1999 to November 16, 2001 and documentary evidence supporting these rates.

26. Refer to Hardin District's "Annual Report to the Public Service Commission for the Year Ending December 31, 2000" at 30. Provide an analysis of the following expense accounts using Format 22 and include copy of the invoice for each item that exceeds \$500.

a.	Account No. 620, Materials & Supplies	\$131,694
b.	Account No. 632, Contractual Services - Accounting	\$ 22,836
c.	Account No. 635, Contractual Services -Other	\$124,666
d.	Account No. 650, Transportation Exp.	\$ 26,643
e.	Account No. 675, Miscellaneous Exp.	\$ 90,379

27. a. In its "Annual Report to the Public Service Commission for the Year Ending December 31, 2000," Hardin District records a balance of \$34,643 in Account No. 657, Insurance – General Liability. Provide an analysis of Account 657 using Format 23(a) and provide all supporting invoices.

b. Provide an analysis of Hardin District's 2001 general liability insurance expense using Format 23(a) and all supporting invoices.

28. a. In its "Annual Report to the Public Service Commission for the Year Ending December 31, 2000," Hardin District records a balance of \$9,716 in Account No. 658, Insurance – Workers' Compensation. Provide all invoices supporting the items recorded in this account.

b. Provide all Workers' Compensation insurance invoices that Hardin District has received and recorded in 2001.

29. Refer to Hardin District's Application, Exhibit 11, Table 11-1 ("Calculation of Debt Service Coverage & Net Income") ("Table 11-1"). Provide all workpapers, show all calculations, and state all assumptions used to derive the following items:

a.	Parity Debt Interest	\$234,063
b.	Non-Parity Debt Interest	\$114,394
c.	New Project Non-Parity Debt Interest	\$254,000
d.	Parity Debt P&I	\$845,063
e.	Existing Subordinate Debt	\$290,375
f.	Proposed Subordinate Debt	\$255,000

30. For each series of Hardin District's outstanding bonded debt, provide the bond ordinance authorizing the issuance of this debt and state its debt service coverage requirements.

31. From 1995 to 2000, the balance in Account 131, Cash, has deteriorated from \$2,037,031 to \$70,849, a decrease of 96.5 percent or \$1,966,182. Explain why Hardin District allowed its non-restricted cash to decrease to this level.

32. In its 2000 Annual Report In its "Annual Report to the Public Service Commission for the Year Ending December 31, 2000," Hardin District reports a balance in Account 132, Special Deposits of \$3,557,457. Provide a detailed analysis of Account 132 and identify each special deposit that has restrictions on its use and on the associated interest income.

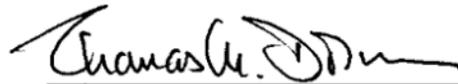
33. Hardin District's purchased water expense increased from \$102,743 in 1998 to \$474,044 in 1999, an increase of approximately 361 percent. In 2000 Hardin District's purchased water expense decreased to \$184,657. State the reasons for these fluctuations in Hardin District's purchased water expenses.

34. a. Provide the current Hardin County Water Supply that has been filed with the Division of Water of the Natural Resources and Environmental Protection Cabinet.

b. State how the proposed water system improvements are consistent with the current Hardin County Water Supply Plan.

35. Provide the minutes of each meeting of Hardin District's Board of Commissioners in which the proposed water system improvements were discussed.

36. Refer to Hardin District's Application, Exhibit 4, Technical Memorandum from Kevin Brian and Pat Howard (June 26, 2001). Provide the node map that is referred to in this memorandum.



---

Thomas M. Dorman  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, Kentucky 40602

DATED: November 16, 2001

cc: Parties of Record

Hardin County Water District No. 1

Case No. 2001-211

Pro Forma Income Statement  
For the Test-Period, the Calendar Year 2000

Acct. No. (a)	Account Name (b)	Actual Operations (c)	Pro Forma Adjustments (d)	Adj. Ref. (e)	Pro Forma Operations (f)
400.0	Operating Revenues:				
461.0	Sales to Residential Customers	\$ 1,692,313			
461.1	Sales to Commercial Customers	241,336			
461.2	Sales to Multiple Family Dwellings	135,039			
461.5	Total Metered Sales	\$ 2,068,688			
466.0	Sales for Resale	353,887			
	Total Sales of Water	\$ 2,422,575			
	Other Water Revenues:				
470.0	Forfeited Discounts	\$ 118,928			
471.0	Miscellaneous Service Revenues	4,629			
472.0	Rents from Water Property	23,938			
474.0	Other Water Revenues	138,149			
	Total Other Water Revenue	\$ 285,644			
	Total Operating Revenues	\$ 2,708,219			
401.0	Operating Expenses:				
	Operation & Maintenance:				
601.0	Salaries & Wages - Employees	\$ 697,951			
603.0	Salaries & Wages - Commissioners	30,200			
604.0	Employee Pension & Benefits	108,406			
610.0	Purchased Water	184,657			
615.0	Purchased Power	200,368			
618.0	Chemicals	70,474			
620.0	Materials & Supplies	131,694			
631.0	Contractual Services - Eng.	2,348			
632.0	Contractual Services - Acct.	22,836			
633.0	Contractual Services - Legal	3,739			
635.0	Contractual Services - Other	124,666			
650.0	Transportation	26,643			
657.0	Insurance - Gen. Liability	34,643			
658.0	Insurance - Workers Comp.	9,716			
660.0	Advertising	790			
675.0	Miscellaneous	90,379			
	Total Operation & Maintenance	\$ 1,739,510			

Hardin County Water District No. 1

Case No. 2001-211

Pro Forma Income Statement  
For the Test-Period, the Calendar Year 2000

Acct. No. (a)	Account Name (b)	Actual Operations (c)	Pro Forma Adjustments (d)	Adj. Ref. (e)	Pro Forma Operations (f)
403.0	Depreciation	503,637			
408.1	Taxes Other Than Income	57,971			
	Utility Operating Expenses	\$ 2,301,118			
	Net Utility Operating Income	\$ 407,101			
414.0	Gains(Losses form Disposition of Utility Property	(30,069)			
	Totals Utility Operating Income	\$ 377,032			
	Other Income & Deductions:				
419.0	Interest & Dividend Income	\$ 213,976			
	Interest Expense:				
427.0	Long-Term Interest Expense	\$ 416,299			
428.0	Amortization Debt Discount & Exp.	106,656			
	Total Interest Expense	\$ 522,955			
	Net Income Available for Debt Service	\$ 68,053			

Hardin County Water District No. 1

Case No. 2001-211

Analysis of Straight Time and Overtime Hours  
For the Periods as Shown

Actual Regular Hours Worked					
Employee Last Name (a)	Position Title (b)	1998 (c)	1999 (d)	2000 (e)	Year-to-Date 2001 (f)

Overtime Hours Worked					
Employee Last Name (a)	Position Title (b)	1998 (c)	1999 (d)	2000 (e)	Year-to-Date 2001 (f)

Hardin County Water District No. 1

Case No. 2001-211

Analysis of Wages  
For the Periods as Shown

Actual Regular Hours Worked						
Employee Last Name (a)	Position Title (b)	Full-Time/ Part-Time (c)	Hourly/ Salary (d)	1998 (e)	1999 (f)	2000 (g)

<sup>1</sup> [Column (h) - Column (g)] ÷  
Column(g)

Hardin County Water District No. 1  
Case No. 2001-211  
Analysis of Health Insurance Premiums

Employee Last Name (a)	Position Title (b)	Type (i.e., Family, Single, et.) (d)	Policy Type & No. (e)	1998 (c)	1999 (d)

Hardin County Water District No. 1

Case No. 2001-211

Analysis of Account # \_\_\_\_\_, \_\_\_\_\_

Invoice Date (a)	Date Paid (b)	Check No. (c)	Vendor (d)	Description (e)	A



